

Employment allowance – have you claimed it?

The employment allowance is a National Insurance allowance which is available to qualifying employers. The allowance reduces employers' (secondary) Class 1 National Insurance by up to the £3,000.

The allowance is set at £3,000 or, if lower, the employers' secondary Class 1 bill for the tax year.

Who can claim?

Most employers, whether a company or an unincorporated business, are able to claim the employment allowance if they are paying employers' Class 1 National Insurance contributions. However, if there is more than one PAYE scheme, a claim can only be made for one of them.

Who can't claim?

The main exclusion is for companies, such as personal companies, where the sole employee is also a director. However, the allowance can be preserved if the sole employee is not also a director, or if the business has more than one employee.

Remember to claim

The employment allowance is not given automatically and must be claimed. This is done via the payroll software through RTI. Although, ideally, the claim should be made at the start of the tax year, it can be made at any time in the year.

Using the allowance

The allowance is set against the employers' Class 1 National Insurance liability for the tax year until it is used up, reducing the amount that the employer needs to pay over to HMRC.

Example

XYZ Ltd has five employees. For 2018/19 prior to claiming the employment allowance, the employers' NIC bill is £534 per month.

XYZ Ltd claims the employment allowance at the start of the tax year. The allowance is used as follows:

Month	Allowance b/f	Employers' NIC	Allowance used	Allowance c/f	Employers' NIC paid to HMRC
1	£3,000	£534	£534	£2,466	£0
2	£2,466	£534	£534	£1,932	£0
3	£1,932	£534	£534	£1,398	£0
4	£1,398	£534	£534	£864	£0
5	£864	£534	£534	£330	£0
6	£330	£534	£330	£0	£204
7	£0	£534	£0	£0	£534
8	£0	£534	£0	£0	£534
9	£0	£534	£0	£0	£534
10	£0	£534	£0	£0	£534
11	£0	£534	£0	£0	£534
12	£0	£534	£0	£0	£534

For the first five months of the tax year, there is no employers' NIC to pay over to HMRC as it is offset by the employment allowance. The balance of the allowance is used up in month 6, reducing the employers' NIC payable to HMRC for that month to £204. For month 7 onwards, there is no allowance remaining and the full amount of the employers' NIC (£534 per month) must be paid over to HMRC.

Unused allowance

If the employers' NIC bill for the year is less than £3,000, the unused amount cannot be carried forward or set against other liabilities. The allowance is capped at the employers' Class 1 NIC bill for the year. It cannot be set against Class 1A or Class 1B liabilities, or against employees' NIC.

However, if the claim is made too late in the year to set all the available allowance against the employers' NIC liability, the employer can ask HMRC to set it against other tax and National Insurance liabilities, if there no PAYE is owed; or the employer ask HMRC for a refund.